

## SUMMARY ANALYSIS OF AMENDED BILL

Author: Daucher Analyst: LuAnna Hass Bill Number: AB 1383Related Bills: See Prior Analysis Telephone: 845-7478 Amended Date: May 24, 2001Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_**SUBJECT:** Personal Exemption Credit For Dependents May Be Divided Equally Between The Parents

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

☒ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as amended May 16, 2001.☒ FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED May 16, 2001, STILL APPLIES.

OTHER - See comments below.

**SUMMARY**

This bill would allow divorced or separated parents to divide the dependent exemption credit equally.

**SUMMARY OF AMENDMENTS**

The May 24, 2001, amendments would:

- repeal the personal, blind, and dependent exemption credits as modified by this bill and restore existing law regarding these same credits, to become operative as of January 1, 2004.
- require the department to report to the Legislature by June 1, 2004, regarding the utilization of the dependent exemption credit. To the extent data is available, the report must include the use of the credit by one parent or both parents equally for taxable years 2000 to 2003. The report also must include any other information the department deems useful for evaluation of the utilization of the credit.

The May 24, 2001, amendments did not address the departments prior implementation or technical concerns. As a result of these amendments, the department has identified an additional implementation concern regarding the reporting requirement and various technical concerns. The remainder of the department's analysis of the bill as amended May 16, 2001, still applies.

**POSITION**

Pending.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Brian Putler

06/12/01

## **Summary of Suggested Amendments**

Amendments 1 through 4 would address the department's technical concerns.

## **ANALYSIS**

### **IMPLEMENTATION CONSIDERATIONS**

#### *Prior Concern*

The bill allows parents to divide the state dependent exemption credit for a dependent child. However, it does not make that child the dependent of either parent for other state tax purposes such as the dependent care credit or head of household filing status.

#### *New Concern*

This bill requires the department to report on utilization of the dependent exemption credit. To the extent data is available, the report would be required to include the use of the credit by one parent or both parents equally for taxable years 2000 to 2003. Reporting information other than the total dollar amount of dependent exemptions claimed for the taxable year would be difficult because income tax statistics gathered by the department do not include information regarding the specific number of dependents claimed on a per taxpayer basis.

### **TECHNICAL CONSIDERATIONS**

#### *Prior Concern*

Amendment 1 is provided to correct a reference to a section of the Internal Revenue Code.

#### *New Concerns*

This bill does not prescribe the period for which the provision is to be operative, but instead specifies a repeal date of January 1, 2004, for the personal, blind, and dependent exemption credit. Similarly, the restored provisions establish an operative date of January 1, 2004, rather than an operative date based on a taxable year. Amendments 2 and 4 are provided to revise the operative and repeal dates.

Amendment 3 is provided to clarify subdivision (j) of the personal, blind, and dependent exemption credit that will be operative as of January 1, 2004.

## **LEGISLATIVE STAFF CONTACT**

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FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO AB 1383  
As Amended May 24, 2001

AMENDMENT 1

On page 3, line 18, strikeout "151(e)" and insert:

152(e)

AMENDMENT 2

On page 4, revise lines 33 and 34 as follows:

(k) This section shall ~~remain in effect only until~~ cease to be operative for taxable years beginning on or after January 1, 2004, and as of that date ~~December 1, 2004,~~ is repealed.

AMENDMENT 3

On page 7, on lines 14 and 15, strikeout "the act adding this subdivision" and insert:

Chapter 846 of the Statutes of 1990

AMENDMENT 4

On page 7, line 17, following "operative" insert:

for taxable years beginning on or after